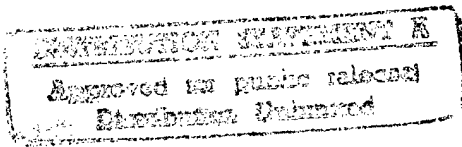


19970311 063



DECEMBER 1995

Taiwan on a Tightrope

The outraged Chinese reaction to the visit of Taiwan's president to his alma mater in the United States surprised many in the West. The Chinese viewed the trip as a deliberate provocation by Taiwan. Why would Beijing regard such an act as provocative? What are the likely outcomes? What are the implications for U.S. policy? In *Change in Taiwan and Potential Adversity in the Strait*, National Defense Research Institute researcher Evan Feigenbaum attempts to answer these questions. He argues that powerful domestic changes have driven Taiwanese leaders to walk a narrow and perilous path between confrontation and conciliation with China. In the charged environment that exists between the two countries, mistakes, miscalculations, or misunderstandings could easily precipitate conflict. Thus, it is crucial to understand these changes and what they imply for U.S. policy. Most compelling is the need for Washington to speak with one voice and ensure that the Taiwanese understand that the only acceptable resolution of their status is one that is mutually agreeable to both Taipei and Beijing.

CHANGE IN TAIWAN

In the past decade, change has swept across Taiwan. Some of it bids to undermine the uneasy status quo with China. Other changes drive the two nations together, reinforcing Taiwan's dependence. Of the former, the most notable is generational: Taiwan's younger generation assumes that—regardless of how the nationality issue plays out with China—Taiwan will remain fundamentally autonomous. The young Taiwanese now moving into power, most of whom have been to the mainland only as tourists, no longer regard the mainland as an antagonist in the struggle to control all of China but see it rather as an external threat to Taiwan. Moreover, the nationalist (Kuomintang or KMT) party is grudgingly accommodating itself to this consensus. The KMT's leadership now includes ethnic Taiwanese who have supplanted old-guard elites and who have a more flexible approach to the issue of Taiwan's status.

Not only is Taiwan more flexible in approaching the mainland, it is increasingly confident of that approach. Where once Chinese threats stifled moves toward independence, those same threats no longer seem so menacing. Spurred by the new generation's attitude toward autonomy, Taiwan is seeking to give itself an identity distinct from China. One approach is to internationalize the status question by raising Taiwan's global profile, largely by persistent lobbying to participate in international organizations such as the General Agreement on Tariffs and Trade. These sorts of activities run directly counter to China's view of Taiwan as another Chinese province and are the actions most likely to antagonize Beijing. Pushed aggressively, they could goad the Chinese into a violent response.

On the other hand, other changes under way have a steadying effect on China-Taiwan relations. One is the democratization of Taiwan. Martial law on the island was lifted only in 1987. In the ensuing few years, public debate has blossomed in a largely uncensored press, and parties and factions have proliferated. This democratization, coupled with a relatively short election cycle of three years, causes political leaders to seek broad-based support for their positions. To win this wide support, they have to avoid extreme positions on either side of the status question.

Second, Taiwan's economic development is forging closer links with the mainland. Taiwan is attempting to shift from a labor-intensive manufacturing economy to a capital- and technology-intensive one. But it still depends heavily on trade, and any violent confrontation with the Chinese would harm it. Furthermore, much of the labor-intensive industry still owned by Taiwanese businessmen that has left the island has relocated to the mainland. This also tends to discourage brinkmanship with China. And China has become a significant trading partner with Taiwan. As the figure shows, trade has grown dramatically, with the balance heavily in Taiwan's favor.

Trade with the mainland is clearly an important—and growing—part of Taiwan's economy, and many do not want to see it upset.

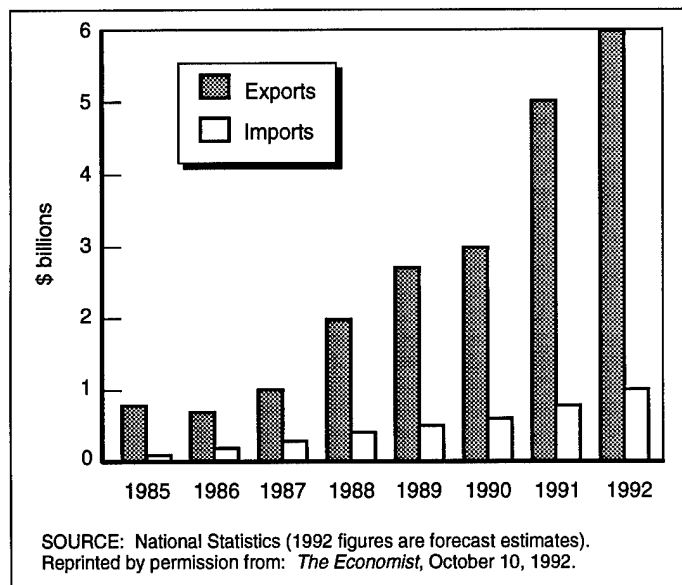
These countervailing changes have forced Taiwan's leaders into a careful balancing act. They must take care not to antagonize China, but, at the same time, they must

take a forceful stance in defense of the island's interests or risk the political consequences.

IMPLICATIONS FOR U.S. POLICY

What does all of this imply for U.S. policy?

- First, the United States cannot speak with many voices. Mixed statements are likely to provide license for one faction or another to read into U.S. policy positions that support their particular interests. Such a situation is rife with potential for miscalculation and, ultimately, conflict.
- Second, Taiwan cannot misunderstand the U.S. position on Taiwan's status. Taipei should have no doubt that the only acceptable basis for change is a peaceful and mutually agreeable resolution of its status with Beijing. Unilateral moves by Taiwan do not square with this policy.
- Finally, Taiwan is a piece of the broader context of U.S.-China relations. If the United States cuts off dialogue as a way of expressing displeasure with Chinese actions, it pays a price in handling the Taiwan issue. On the contrary, the United States should pursue expanded contacts and discussions. Developing a strategic dialogue that will reduce the potential for miscalculation requires, in contrast, contacts of all sorts, including military-to-military ones.



Taiwan's Trade with China

*RAND research briefs summarize research that has been more fully documented elsewhere. This research brief describes work done for the National Defense Research Institute; it is documented in *Change in Taiwan and Potential Adversity in the Strait*, by Evan A. Feigenbaum, MR-558-1-OSD, 1995, 65 pp., \$15.00, ISBN: 0-8330-2330-6, available from RAND Distribution Services (Telephone: 310-451-7002; FAX: 310-451-6915; or Internet: order@rand.org). Abstracts of all RAND documents may be viewed on the World Wide Web (<http://www.rand.org>). Publications are distributed to the trade by National Book Network. RAND is a nonprofit institution that helps improve public policy through research and analysis; its publications do not necessarily reflect the opinions or policies of its research sponsors.*

RAND

1700 Main Street, P.O. Box 2138, Santa Monica, California 90407-2138 • Telephone 310-393-0411 • FAX 310-393-4818
2100 M St., N.W., Washington, D.C. 20037-1270 • Telephone 202-296-5000 • FAX 202-296-7960

RB-7406